



Internal Audit Report

Performance Measures

Objective

To evaluate if the performance measures processes and procedures allow for effective monitoring of TxDOT's performance.

Opinion

Based on the audit scope areas reviewed, control mechanisms are effective and substantially address risk factors and exposures considered significant relative to impacting reporting reliability, operational execution, and compliance. The organization's system of internal controls provides reasonable assurance that most key goals and objectives will be achieved despite significant control gap corrections and improvement opportunities identified. Control gap corrections and improvement opportunities identified are likely to impact the achievement of the organization's business/control objectives, but management has agreed to corrective action plans to address the relevant risks within 6 months.

Overall Engagement Assessment		Satisfactory		
Finding				
	Title	Control Design	Operating Effectiveness	Rating
Finding 1	Performance Measures Reporting Procedures	X	X	Needs Improvement

Management concurs with the above finding and has prepared management action plans to address deficiencies.

Control Environment

The Strategic Planning Division (STR) has implemented the use of a data visualization tool to assist in the reporting of performance measures to internal and external stakeholders. Information reported in the tool is primarily obtained and submitted manually from various platforms and reviewed at the division level before being transmitted to STR for inclusion in performance measures dashboards. Data reported in the dashboards may also be included in required reporting to the Legislative Budget Board (LBB). Dashboards are updated monthly, quarterly, or annually, depending upon the type of performance measure.

Summary Results

Audit testing completed resulting in management action plans.

Finding	Scope Area	Evidence
1	Data Integrity	<p>The process for updating performance measures dashboards is primarily manual. In addition, written procedures documenting how divisions extract data from source systems and how STR updates and maintains the performance measures dashboards do not exist.</p> <ul style="list-style-type: none"> 6 of 8 (75%) divisions interviewed had no written procedures to identify the source and data compilation steps used to extract data provided to STR for use in the performance measures dashboards.

Audit testing completed not resulting in management action plans.

Scope Area	Evidence
Data Integrity	<p>While no written procedures exist, no errors were identified during testing. A judgmental sample of 23 performance measures from eight divisions was selected to determine if data integrity for the performance measures was maintained from the extraction of data from source systems to STR manually updating the associated performance measures dashboards:</p> <ul style="list-style-type: none">▪ 23 of 23 (100%) performance measures, as reported in performance measures dashboards, agreed with source data.

Audit Scope and Methodology

The audit was conducted during the period from December 19, 2019 to February 26, 2020. The audit focused on an evaluation of the process for gathering and reporting TxDOT's data in performance measures dashboards during the time period of January 1, 2019 through February 26, 2020. The scope and methodology used for this audit included:

Scope Area 1: Data Integrity – to determine if data integrity exists and how that integrity is maintained throughout the performance measures reporting process.

Methodology included:

- Identified 149 performance measures reported through the various dashboards and to the LBB.
- Judgmentally selected 23 performance measures to assess the consistency and integrity of the data from the extraction of data from source systems to STR manually updating the associated performance measures dashboards.
 - Judgmental selection was focused on those measures reported to LBB and on performance measures dashboards.
- Compared performance measures reported to the LBB to the data reported in corresponding performance measures dashboards to determine if consistency exists between reporting methods.
 - The 5 performance measures that were included in both reports were tested.
- Interviewed a judgmental sample of data stewards from eight divisions to identify existing procedures.

Scope Area 2: Performance Measures Effectiveness - to evaluate how performance measures are established and used.

Methodology included:

- Identified and documented the evolution of performance measures as used by the agency.
- Interviewed 5 of 14 Performance Measures Workgroup members to gain an understanding of performance measures processes.

- Evaluated the effectiveness of the current process for identifying and implementing performance measures through the Performance Measures Workgroup.
- Identified established targets and results as set forth by the 85th Texas Legislature to document TxDOT's performance and determine if variances greater than or equal to 5% included explanations of performance.
 - Determined if corrective action plans were identified, documented, and set into action to address any underperforming Budgetary Performance Measures reported to the LBB.

Methodology included within both Scope 1 and Scope 2:

- Reviewed state and federal regulations including the Code of Federal Regulations, Title 43 §490, the Moving Ahead for Progress in the 21st Century Act (MAP-21), the Fixing America's Surface Transportation Act (FAST Act), Rules §16.20 and §16.203 of the Texas Administrative Code (TAC), House Bill 20, Senate Bill 312, the Sunset Advisory Commission Staff Report with Final Results, and the General Appropriations Act for the 2018-2019 Biennium.
- Reviewed TxDOT Policies and memorandums including the Performance Measures Workgroup Charter and the 2019 Performance Management Reporting and Review Memo.
- Interviewed key personnel including Performance Measures Workgroup Co-Leads in both STR and Transportation Programs Division, Performance Measures Workgroup members, and division data stewards.
- Reviewed Performance Measures Workgroup meeting agendas, minutes, and other documentation of group activities.

Background

This report is prepared for the Texas Transportation Commission and for the Administration and Management of TxDOT. The report presents the results of the Performance Measures audit which was conducted as part of the Fiscal Year (FY) 2020 Audit Plan.

TxDOT reports a variety of performance results to key stakeholders including the LBB and the Federal Highway Administration (FHWA), as statutorily required, and also reports performance results to internal management and the public. TxDOT's Administration established a Performance Measures Workgroup in October 2017 to coordinate and govern the department's performance measures. The purpose of the group was to create a single source for the agency's performance measure information and to eliminate redundant and/or unnecessary measures.

Over the course of the next two years, the workgroup identified a baseline set of 198 performance measures consisting of those used in a range of reports provided to federal and state entities and internal TxDOT leadership. The workgroup made recommendations to modify or consolidate similar measures, eliminate those measures that were unnecessary or redundant, and add new measures as the need was identified. Currently, the workgroup oversees 149 measures that are individually aligned with TxDOT's stated goals.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards and in conformance with the International Standards for the Professional

Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Recommendations to mitigate risks identified were provided to management during the engagement to assist in the formulation of the management action plans included in this report. The Internal Audit Division uses the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework version 2013.

A defined set of control objectives was utilized to focus on reporting, operational, and compliance goals for the identified scope areas. Our audit opinion is an assessment of the health of the overall control environment based on (1) the effectiveness of the enterprise risk management activities throughout the audit period and (2) the degree to which the defined control objectives were being met. Our audit opinion is not a guarantee against reporting misstatement and reliability, operational sub-optimization, or non-compliance, particularly in areas not included in the scope of this audit.

Detailed Finding and Management Action Plans (MAP)**Finding No. 1: Performance Measures Reporting Procedures****Condition**

A predominantly manual process exists for updating and maintaining the monthly performance measures dashboards. Continued focus on automation would enable a more efficient data collection process to be achieved and help further reduce any concerns related to data collection or entry errors.

In addition, written procedures documenting how divisions extract data from source systems and how the Strategic Planning Division (STR) updates and maintains the performance measures dashboards do not exist, which may lead to inconsistent and/or inaccurate data being reported with any future personnel moves.

Effect/Potential Impact

Although no errors were identified during data testing, the risk remains that errors may be made during numerous manual information exchanges. Additionally, data stewards conveyed that six hours per month, on average, is currently being spent to manually extract and provide data for performance reporting.

Likewise, if procedures for data extraction are not documented, divisions manually contributing data to performance reporting may pull incorrect or incomplete information. The absence of written procedures for updating the performance measures dashboards may also result in inconsistencies with the gathering and presentation of dashboard information.

Criteria

TxDOT developed performance measures dashboards in response to recommendations by the Texas Sunset Advisory Commission to develop performance reporting tools and online dashboards to clearly communicate information about performance to TxDOT's administration, the Texas Transportation Commission, and the general public.

To help ensure a sustainable process, TxDOT should document its policies and procedures. Policy and procedures are part of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 integrated framework and helps to provide assurance that management directives are carried out consistently and in a timely manner.

Cause

Methods used to develop and publish performance measures dashboard's information have been evolving since their incorporation into performance reporting and have not advanced enough to be an automated process. Based on interviews with STR, the processes for maintaining the dashboards have only recently reached a state of stability that is conducive to the creation of written procedures for each reported measure.

EvidenceManual Process

The process for updating performance measures dashboards is primarily manual. Automation in reporting has been initiated in 2 of 8 divisions. The Bridge Division and the Construction Division have developed methods to help extract performance data which lends to a more automated and error-free approach.

Documentation of Procedures

A judgmental sample of eight divisions was selected to determine if the divisions had procedures for extracting data from source systems for inclusion in performance measures dashboards:

- 6 of 8 (75%) divisions had no written procedures to identify the source and data compilation steps used to extract data provided to STR for use in the performance measures dashboards.

Additionally, it was observed that STR's procedures supporting the maintenance of performance measures dashboards are in draft form but not yet completed.

While no written procedures exist, no errors were identified during testing. A judgmental sample of 23 performance measures from eight divisions was selected to determine if data integrity for the performance measures was maintained from the extraction of data from source systems to STR manually updating the associated performance measures dashboards:

- 23 of 23 (100%) performance measures, as reported in performance measures dashboards, agreed with source data.

Management Action Plan (MAP):

MAP Owners: Division Directors*

MAP 1.1: Divisions contributing information to be published in performance measures dashboards will document the current process used to extract the data from source systems and how that information is provided to the Strategic Planning Division (STR).

* All Division Directors have been designated owner in the event that you currently do or in the future will provide data to STR for performance measure dashboards. Those divisions that currently provide data to STR have already been notified of this management action plan.

Completion Date: August 15, 2020

MAP Owner: Andrew Sak, Strategic Data Analyst, Strategic Planning Division

MAP 1.2: Strategic Planning Division will write procedures that support the maintenance of performance measures dashboards under current processes.

Completion Date: October 15, 2020

MAP Owner: Andrew Sak, Strategic Data Analyst, Strategic Planning Division

MAP 1.3: Strategic Planning Division (STR) will coordinate with divisions that contribute information to the performance measures dashboards to collect division procedures used to extract data from source systems. STR will develop and provide a template to divisions that will standardize the method of recording procedures across the divisions.

Completion Date: October 15, 2020

MAP Owner: Andrew Sak, Strategic Data Analyst, Strategic Planning Division

MAP 1.4: Strategic Planning Division will provide a presentation to the Executive Steering Committee about improvements being made to their performance dashboards, including the need for and benefits of further data automation.

Completion Date: December 15, 2020

Observations and Recommendations

Audit Observation (a): Action Plans to Address Underperforming Budgetary Performance Measures

TxDOT does not document action plans to address underperforming targets as set forth by the 85th Texas Legislature. Although some level of variance explanations for underperformance (7 of 18 performance targets) were provided to the LBB, there is no external or internal requirement to also identify, document, and set into action plans to address these opportunities.

Effect/Potential Impact

Without incorporation of action plans, it may be unclear to the LBB and TxDOT Administration how these underperforming measures will be addressed and corrected. The omission and limited transparency of such action plans may also result in future unrealistic targets being set and reduced confidence in TxDOT's stewardship of public funds.

Audit Recommendation

TxDOT should establish, document, and communicate any planned actions used to address underperforming measures. These action plans should provide a clear direction the agency plans to take in order to renew any confidence in TxDOT that may have been lost externally or internally.

Audit Observation (b): Reporting Inconsistencies

Inconsistencies were identified in 2 of 4 (50%) performance measures reported to both the Legislative Budget Board (LBB) and in performance dashboards for fiscal year (FY) 2019.

Performance Measure	LBB	Performance Measures Dashboard
Percent of Construction Projects Completed on Time	64.48%	62.70% ¹
Percent of Construction Projects Completed on Budget	78.27%	79.00% ¹

Note:

1. Construction data in the Performance Measures Dashboard was refined by the Construction Division after the conclusion of FY19 LBB reporting. Updates included differentiation between third party and TxDOT directed change orders and filtering out of defaulted projects.

Effect/Potential Impact

Inconsistent data between reporting mechanisms can decrease the credibility of the information reported. Taxpayers may also lose confidence in TxDOT's management of public funds if data reported is not reconciled or varies between mechanisms.

Audit Recommendation

TxDOT should add a caveat to any performance dashboard that reports information that is inconsistent with data reported elsewhere by the department. An explanation of the specific dates and reasons for the inconsistencies should be provided to assist the reader in understanding any such differences.

Summary Results Based on Enterprise Risk Management Framework

Audit Results Dashboard			
Performance Measures			
Business Objectives (Reporting, Operational, Compliance)		Scope Areas Evaluated	
		R, O, C	R, O, C
ERM Component	Control Activities	Data Integrity	Performance Measures Effectiveness
Control Environment	Organizational Tone		
	Business Objective/Goal-Setting		
	Resource Capacity		
	Forecasting/Budget		
	Training and Development		
Risk Assessment	Risk Identification/Planning		
	Risk Assessment/Impact Analysis		
	Risk Response/Cost-Benefit Analysis		
	Business Continuity		
Control Activities	Policies/Procedure Development & Maintenance	1	
	Approvals/Authorizations		
	Supporting Evidence/Records Retention		
	Segregation of Duties/System Access		
	Safeguarding Assets/Security		
Information & Communication	Information Classification		
	Information Input	1	
	Information Processing		
	Information Output	(b)	
	Internal and External Reporting		
Monitoring	Exception Reporting Review		
	Reconciliations		
	Root-Cause Analysis		
	Evaluations/Inspections		
	Management Action Plans		(a)
Scope Area Assessment			
Rating Assessment Grid		Exemplary	Satisfactory
		Needs Improvement	Unsatisfactory

Closing Comments

The results of this audit were discussed with the Strategic Planning Division Director on May 11, 2020. The Internal Audit Division appreciates the cooperation and assistance received from the Strategic Planning Division during this audit.